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[Book Review]

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Book review of Marco Bertilorenzi, *The international aluminium cartel, 1886-1978. The business and politics of a cooperative industrial institution* (Abingdon-New York, 2016)

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This is an important piece of historical work for at least three reasons. First and foremost, it offers a unique insight into the history of the aluminium trade; secondly, it adds to our understanding of international cartels and European cartelisation; last but not least, while having a thorough global perspective, it relies on an uncommonly wide range of archival sources that are scattered over a large number of public as well as private company archives predominantly located in Europe. International cartels (namely, price, market-sharing or sales as well as output restricting agreements among firms based in different countries) represented a common form of international business until the 1940s. Moreover, these were essentially European. As a proxy for their reach and power, we could mention that European cartels came to control about 40 percent of global trade in 1938 according to the League of Nations. No surprise, then, that they have attracted a great deal of attention from historians, economists and policy-makers. An important strand of the literature has focused mainly on the anticompetitive nature of cartels, whether domestic or international. The main hypotheses are that they kept prices above competition levels (and conversely, they restricted output and sales below those levels) and that they were short-lived as participating firms tended to cheat what in essence were not legally enforceable agreements. Another strand has by contrast sought to redirect attention to the impact of European cartels on economic and corporate development (Fear, 2008). The book by Bertilorenzi makes a significant contribution to this latter and perhaps more fruitful approach to the study of international cartelisation. It confirms that international cartels constituted a distinguishing feature in European industrialisation, influencing foreign investment, corporate strategy, innovation and the spread of industry beyond national boundaries.

While covering an uncommonly long period, i.e. from the 1880s to the 1970s, the book attempts a detailed analysis of the interplay between the leading players into the industry; the inner, complex workings of cartel arrangements that these firms set up from about the 1900s; and how external factors, i.e. the financial instability of the period immediately after the First World War or the spread of an antitrust legislation after the Second World War, contributed to shape cartel arrangements in the aluminium trade. The book is an implicit confirmation of Fear's poignant observation that European cartels did not 'abolish competition but regulate[d] it' and that 'historically, cartels provided participating firms a range of market-ordering options that the antitrust has since foreclosed' (Fear, 2008, 269, 281-7). The book brings new evidence, to paraphrase once more Fear, against the hypothesis of a 'stark dichotomy of markets (cartels as distortions) or hierarchies (cartels as incomplete, inefficient internalization)' and against 'one of the largest misconceptions about cartels that they halt[ed] competition and innovation' (Fear, 2008, 269). They rather 'reshape[d] the rules of the game on which competition rest [ed]' (Fear, 2008, 269)

In the introduction, Bertilorenzi seems to suggest that international cartels in the aluminium industry secured price stability until the 1970s. Throughout the book there are similar statements about the alleged stability of aluminium cartels. Yet Bertilorenzi does not spend much energy trying to demonstrate this hypothesis. The book also seems uncritically to echo a popular business philosophy of the 1920s whereby most problems of industry were to be found less in a lack of demand than in an excess of production and whereby cartels were instrumental in the 'rationalisation' of industry, an ambiguous term broadly referring to the need to increase efficiency (via industrial concentration) and bring output in line with demand (Hannah, 1979, 29).

Important as it may appear, this lack of attention should not be overemphasised. For one thing, this is primarily a book about cartel politics and cartel formation. To an extent, this account seems to reflect the undergoing shift of research attention towards the impact of European and international cartels on the development of the European corporate economy. Whether European cartels were stable and whether they succeeded in stabilising or increasing prices is beyond the point. Bertilorenzi shows that what matters is that they contributed to shape the strategy of individual firms and the evolution of this trade in global markets.

Those with a fixation with cartel stability and cartel duration (as well as their anticompetitive behaviour) will however have more than one motive to find this book very interesting. The reason for this is that it also is a work about the attempts that the main actors into the aluminium industry made to turn price-fixing arrangements into sales and output agreements through *ad hoc* international organisations. This is an important point when considering that scholars and practitioners alike since the 1930s have often argued that sale organisations could make cartels more stable by reducing the incentives to cheat. Bertilorenzi seems at times to lose sight of the fact that international cartel agreements were not legally enforceable and, second, that these and similar arrangements depended much on the workings of, and interactions between, national cartels (which became legally enforceable in the 1930s in most European countries). It should be taken with a pinch of salt but one conclusion to which this monograph seems to point is that, until the late 1930s, the leading aluminium firms produced different products which were hardly comparable and which had differing price elasticity in global markets, thus complicating the definition and allocation of sales and output quotas. Another inference is that the creation of trade associations in this business was instrumental in the pursuit of standardisation (namely, the reduction of the number of products and the use of common standards and measures). This seemed to remain an important aim of cartelisation and other global governance mechanisms put in place in this industry especially after the First World War.

This brings us to the technological dimension of the aluminium cartel. Although inevitably a tangential preoccupation in a book about cartel politics, the technological evolution of aluminium is perhaps carried out unsystematically here. It would have been germane to deal with this specific theme in one or two chapters. For example, we do not know why two technologists sought to develop the mass production of aluminium almost at the same time in the early 1880s. Was there any specific new set of knowledge or discovery in physics and in chemistry at work behind the early development of this trade? Were the

founders of this industry looking for new alloys? Was this trade an outgrowth of the electricity generation industry or rather of the metallurgic industry? What was the role of the armament industry in the early development of this trade? These and similar questions remain unanswered here. Likewise, the evolution of the end-uses of aluminium over a century is barely treated here. Yet this remains a crucial topic in relation to the evolution of cartels and particularly in relation to the ways in which governments interfered with their workings after 1945.

Many statements are not backed with referenced footnotes and need in some cases additional elaboration. The book reads well but makes an excessive use of acronyms, which, along with the occasional use of non-idiomatic English and occasional lapses in the style, tends to make some confusion in the reader's mind. The structure could have been tighter and more coherent by reducing the number of chapters, eliminating the large number of subchapters and probably shortening the whole work. Despite these limitations, this is a good and very articulate read. It is hard to exaggerate the importance of this work for this field of studies. It is destined to become a building block in the literature on European and international cartels for its uncommonly large use of archival material, the uncommonly long time-period under consideration, and last but not least for its unique global perspective.

Fear, Jeffrey, 'Cartels' in *The Oxford handbook of business history*, ed. by Geoffrey Jones and Jonathan Zeitlin, (Oxford: Oxford University Press, 2008), 269-292
Hannah, Lesley, *The rise of the corporate economy* (London: Methuen, 1979).